Center for Financial Security Family Financial Security Webinar Series

May 8, 2012

4th Annual Wisconsin Poverty Report

Sponsored by a grant from the UW-Madison School of Human Ecology Beckner Endowment

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How the Safety Net Protected Wisconsin Families from Poverty in 2010

4th Annual Wisconsin Poverty Report

Tim Smeeding
IRP Director and Arts and Sciences Distinguished Professor

for the
CFS webinar
May 8th, 2012

Research | ***Training*** | ***Policy*** | ***Practice***

Overview

- **The Wisconsin Poverty Measure and the Wisconsin Idea**
- **Findings in 2012 Wisconsin Poverty Report (Released April 25th, 2012)**
- **What** did we find ?
- **Why** did it happen ?
- **So what** does it mean?
- **Conclusion: the Safety Net is Working in Wisconsin**

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About the Wisconsin Poverty Measure and Its Goals

- Develop a more comprehensive measure of poverty that reflects federal and state programs aimed at the poor during the recession, especially noncash programs and refundable tax credits (next slide)
- Inform the Wisconsin public and its policy makers about the effects of federal and state policies including the ARRA on poverty and economic well-being
- Tailor this measure to policies & priorities of Wisconsin citizens, nonprofits and policy makers
- Provide a transparent, straightforward model for other states and localities to emulate

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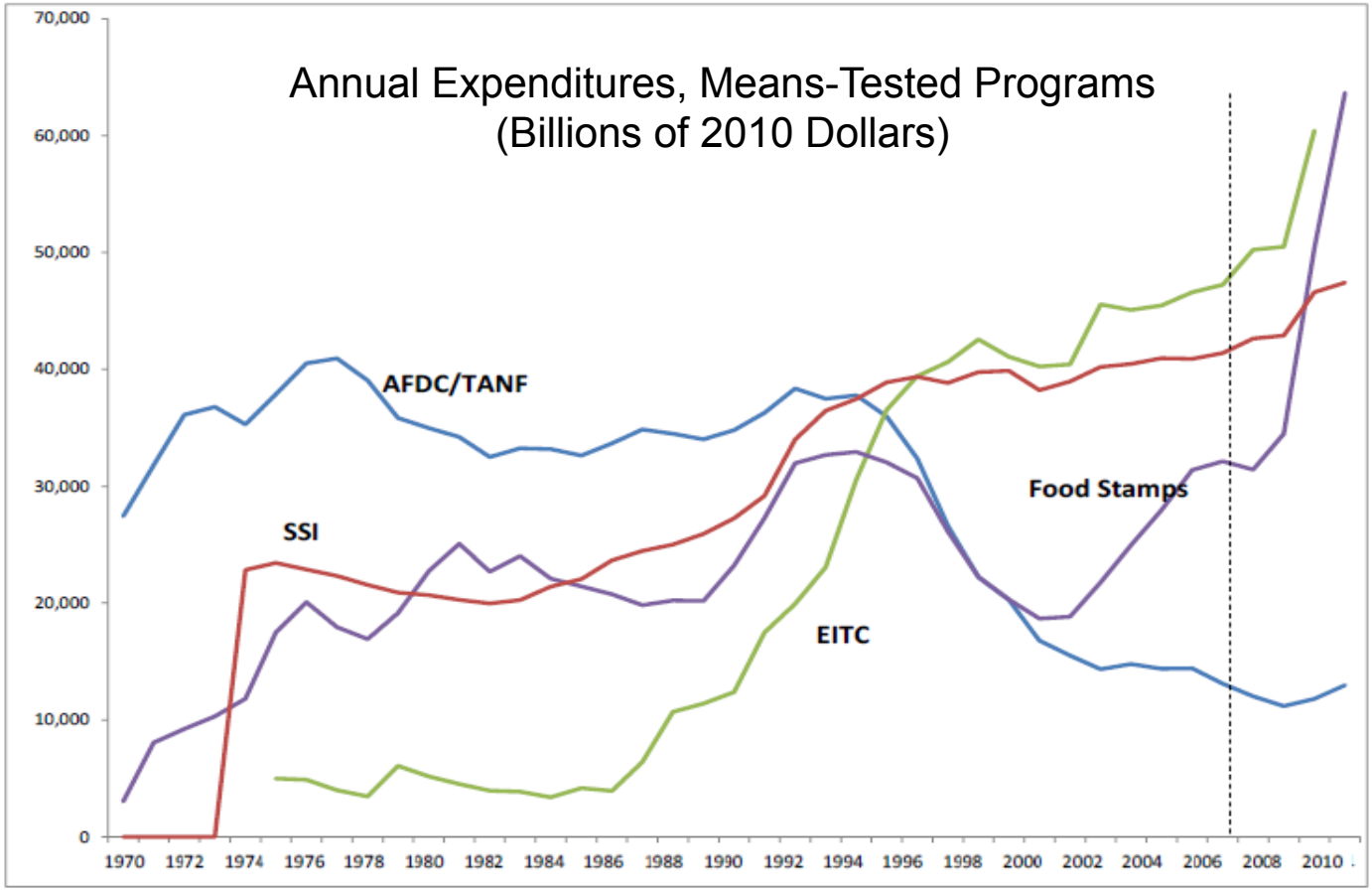
How Programs to Help Poor in the US (and Wisconsin) Have Changed



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A Brief History of the WPM

- First basic report in 2009 for Governor's *Task Force on Poverty* based on 2007 incomes
- 2009 spent listening to and talking with Wisconsinites about what mattered for measuring poverty in Wisconsin
- 2010 first release of new Wisconsin Poverty Measure for 2008 incomes
- 2012, today, third release, with focus on trends from 2008-2009-2010 and program impacts

Two Methods of Poverty Measurement: An Overview

	Official Measure	Wisconsin Poverty Measure
Threshold (Economic need)	**Official poverty line** Developed in 1960s, based on food costs and expected share for food budget, since that time adjusted for prices only	**NAS -Like Poverty Line** Basic expenses food, clothing, shelter, utilities averaged over three years (next slide) Adjusted for Wisconsin cost of living, housing tenure, & medical expenses
Resources	**Cash income (pre-tax)** but including cash government benefits like social security , workers comp., and unemployment ins.	**More Family Resources** Cash income as in left panel: +/- Taxes & tax credits + Non-cash benefits (inc. Food Stamps) - Work expenses (inc. childcare)
Family considered	**Census "family" unit**	**Expanded Poverty Unit** Census family + unmarried partner & foster children; minus college students who do not work

The 2009 and 2010 WPM Poverty Lines vs. the Official Poverty Line

- The OM has a poverty line of $22,113 in 2010
- The WPM line was $25,919 in 2010 reflecting expenditures on necessities: food, clothing, shelter and utilities
- The 2009 WPM was $26,235 –a bit higher than the WPM in 2010
- The WPM fell from 2009-2010 due to lower expenditures on necessities by low income units in the recession

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What Do We Find ?

- Poverty rates in Wisconsin under the Wisconsin Poverty Measure were lower than the official rates, and fell by a significant amount from 2009-2010
- The recession-plagued economy drove market income poverty rates higher in Wisconsin in 2009 and 2010
- But the safety net worked very well to protect Wisconsin's low income people from poverty in 2009 and did better in 2010

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Three Sets of Poverty Rates

- **Market Income (MI) based poverty rates** – including only own earnings and private investment and retirement incomes
- **The Official Measure (OM) poverty rates-** which are based only on cash income only
- **The Wisconsin Poverty Measure (WPM)** - which includes the effects of housing costs, child care costs, medical costs as well as taxes, refundable tax credits and noncash benefits like SNAP and public housing

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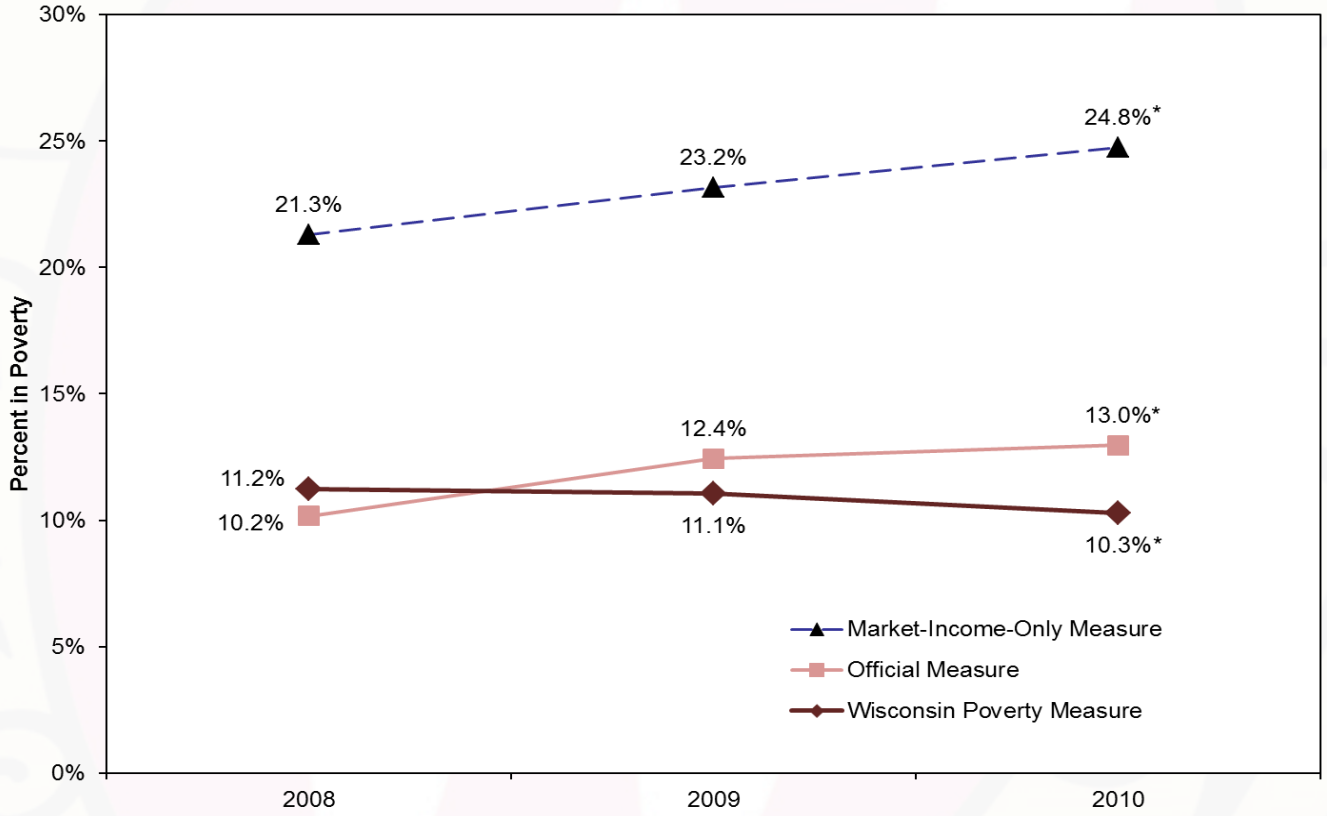
Figure 1. Wisconsin Poverty Rates under Three Measures, 2008–2010



Source: IRP tabulations using 2008–2010 American Community Survey data.
Notes: Market income includes earnings, investment income, private retirement income, child support, and other forms of private income. Both the market-income measure and the WPM are based on the WPM thresholds, definition of family unit, and treatment of work and medical expenses, which differ from the thresholds and methodologies of the official measure, as described in the methods section below.
*Means that the difference between 2009 and 2010 was statistically significant.

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The Trend in Wisconsin Poverty

- **MI poverty rises** as the economy worsens and job losses from the recession begin to cut market incomes , especially earnings
- **OM poverty rises**, counting cash incomes alone (including cash benefits like unemployment insurance, for example)
- **But the WPM falls** as refundable tax credits and noncash benefits like SNAP(FoodShare) increase to offset declining earnings

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Background : The Wisconsin Economy, 'FoodShare' (SNAP) and EITC

- The data we use here (2010 American Community Survey or ACS) covers the period January 2009-November 2010 as shown below
- During this period the number of jobs in Wisconsin fell by about 5 percent and stayed there .
- Benefits from SNAP('FoodShare') rose quickly in Wisconsin in part due to the (former) Governor's poverty task force and active efforts by to inform the public of their eligibility
- FoodShare beneficiaries increased faster in Wisconsin than in the nation as a whole and especially outside of Milwaukee

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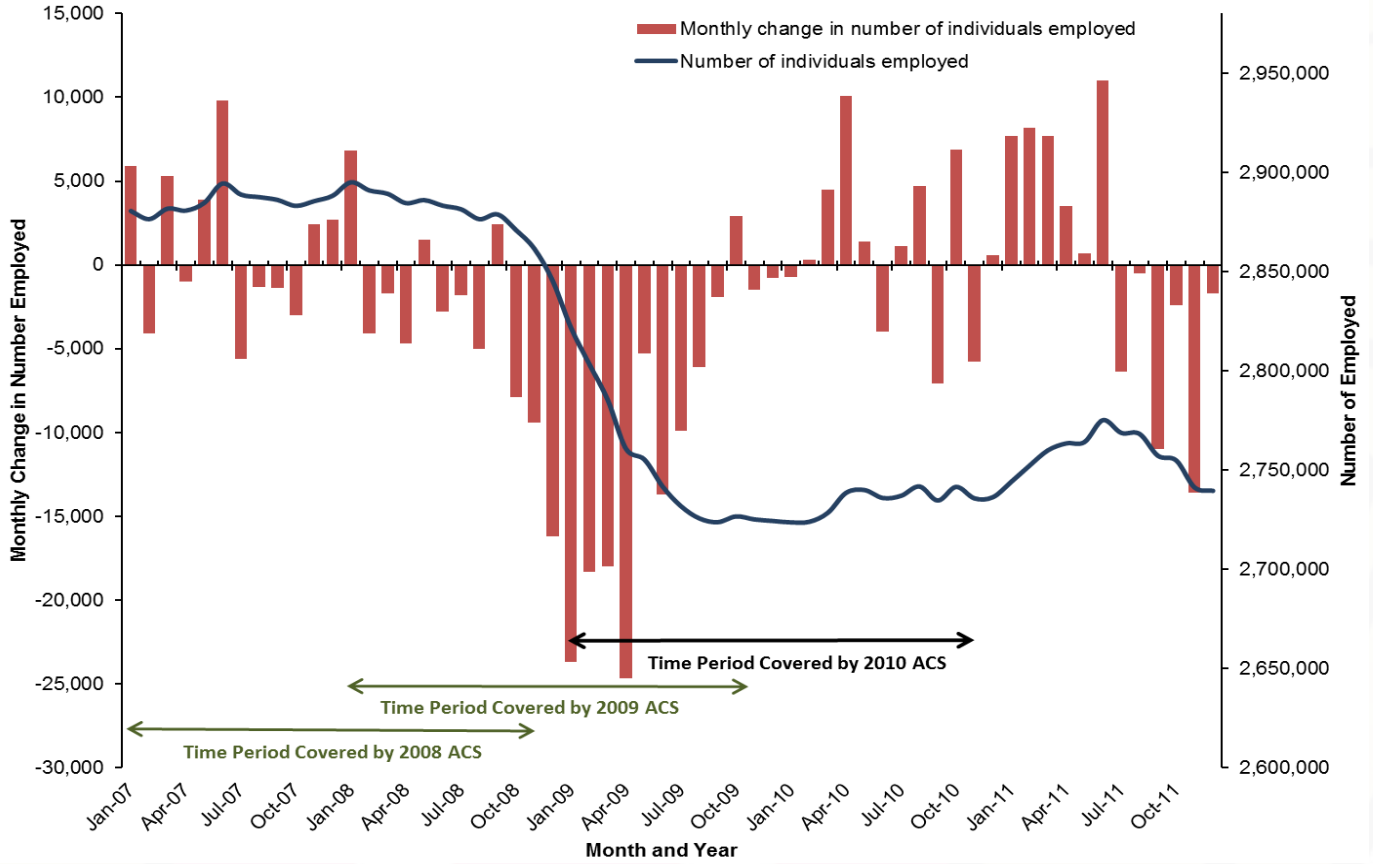
Figure 2. Number of Individuals Employed and Monthly Job Gains/Losses in Wisconsin, 2007–2011



Source: Seasonally adjusted Bureau of Labor Statistics data on total non-farm employment.
Notes: The 2010 poverty rate is based on economic conditions from January 2009 through November 2010, because the American Community Survey (ACS) data for each year are collected throughout the calendar year, and include references to income over the previous 12 months, hence, spanning a total of 23 months, as shown in the chart. For reference, the official recession began in December 2007 and ended in June 2009.

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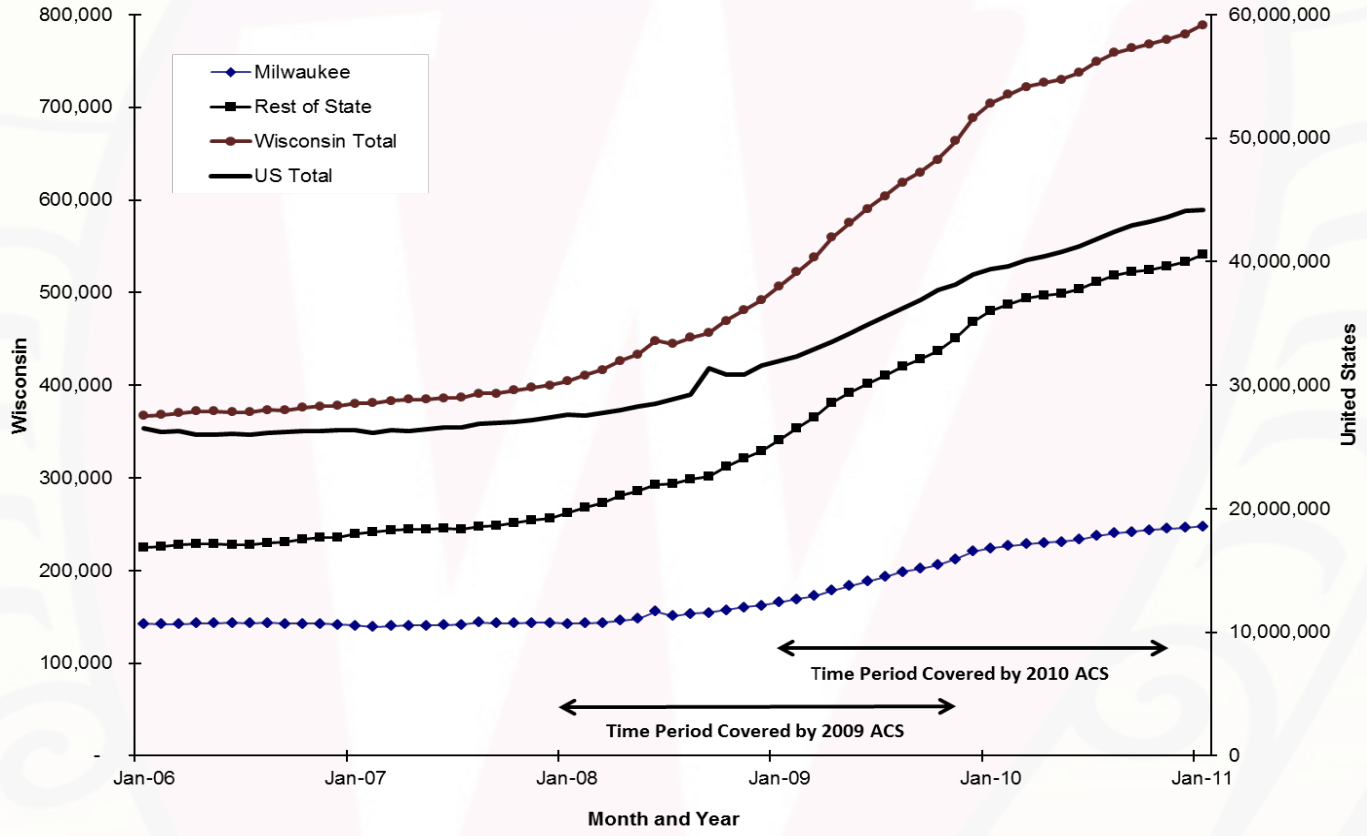
Figure 3. Changes in SNAP Benefit Caseloads in Wisconsin and the United States, 2007–2010



Source: Data on SNAP participation are from the FoodShare data website of the Wisconsin Department of Health Services.
Notes: The number of cases in Wisconsin is shown on the left-hand scale of the y-axis, while that for the United States is on the right-hand scale of the y-axis.

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May 2012 Legislative Audit Bureau Report for "FoodShare" Wisconsin

The LAB report says:

- **In 2011, 1.1 m. persons received $1.1 b. in 'FoodShare' benefits in WI**
- **USDA assesses which assistance groups were incorrectly denied benefits, In FFY 2007-08, *Wisconsin's negative error rate was above the national average at 12.9 percent, but declined to 4.6 percent in FFY 2008-09.***
- **USDA requires states to calculate a "benefit payment error rate," a measure of the extent to which ineligible individuals received benefits. *Wisconsin's benefit payment error rate declined from 7.4 percent in FFY 2007-08 to 2.0 percent in FFY 2009-10*.**

The papers reported the following segment of the report:

- **LAB estimates 293 prison inmates received $413,000 in FoodShare benefits while they were incarcerated**

See more at http://legis.wisconsin.gov/lab/reports/12-8highlights.htm

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EITC and refundable tax credits

- The 2009 ARRA increased federal income tax credits by expanding the EITC (new tier for three children) and the refundable Child Tax Credit and by creating the Making Work Pay tax credit.
- WI's state credit was an additional 14 percent of the federal credit
- There was a 21 percent increase in the total amount of EITC credits alone in Wisconsin (from $643 million in 2008 to $780 million in 2009).
- According to our tax calculations using ACS and state administrative data, the total amount of (both federal and state) tax refunds in Wisconsin increased by more than 50 percent between 2008 and 2009, and then remained at a similar level in 2010.
- Because the tax changes under ARRA were implemented retroactively for the full 2009 calendar year and were in effect for all of 2010, they influenced the entire time period covered by the 2010 ACS data.

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More Results: Level and Trend (2008-2010)in Poverty for Vulnerable Groups

- Poverty in Wisconsin was lower for children and a bit higher for elders than the OM
- Child poverty in Wisconsin is still above average but very close to the overall poverty rate in this state
- The trends show that child poverty fell in Wisconsin despite decreases in parents market incomes, especially earnings
- Elderly poverty rates were flat and stayed at just under 10 percent

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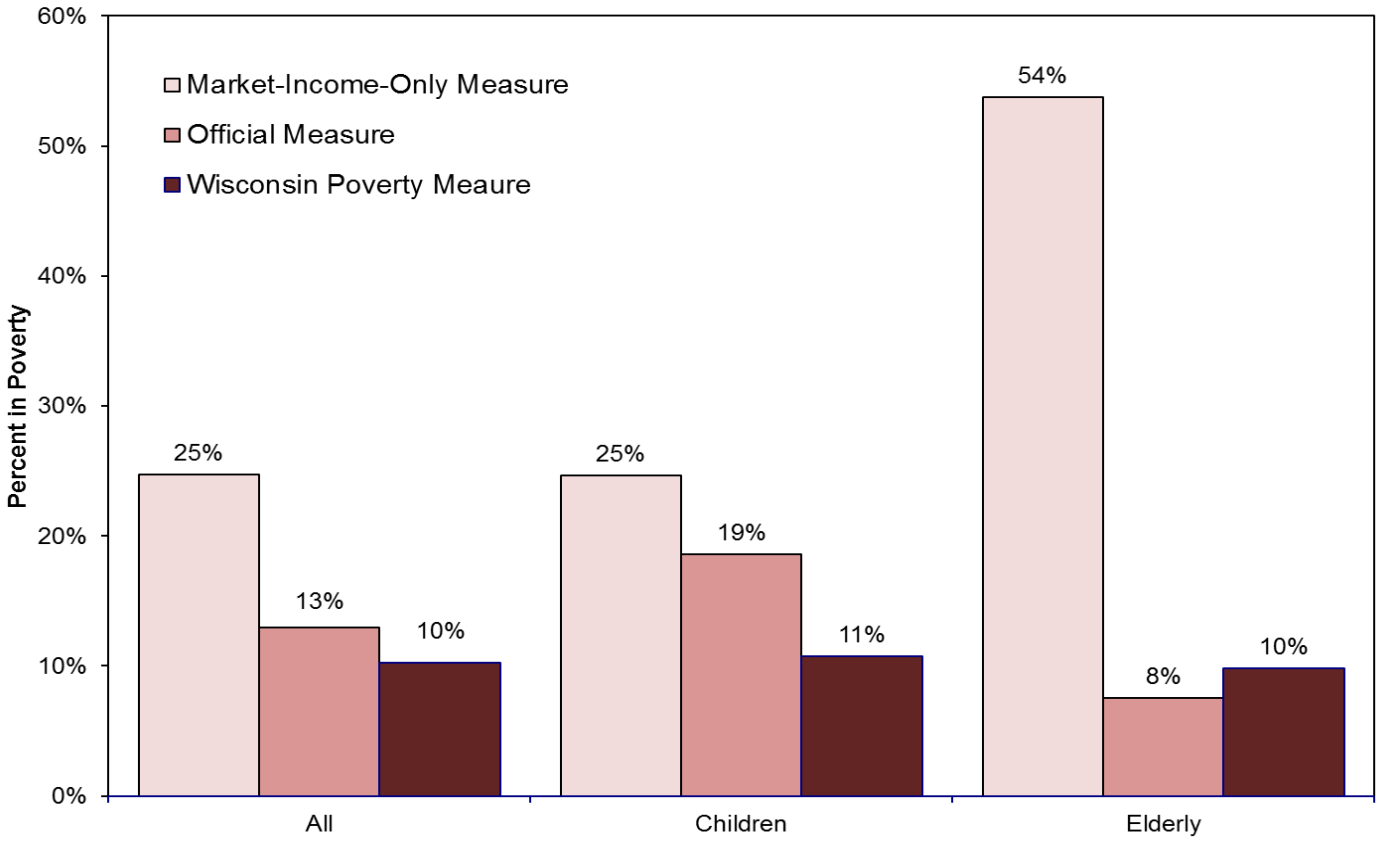
Figure 4. Poverty in Wisconsin in 2010 Overall and for Two Vulnerable Groups



Source: IRP tabulations using 2010 American Community Survey data.
Note: Market income includes earnings, investment income, private retirement income, child support, and other forms of private income. Both the market-income measure and the WPM are based on the WPM thresholds, definition of family unit, and treatment of work and medical expenses, which differ from the thresholds and methodologies of the official measure, as described in the methods section above.

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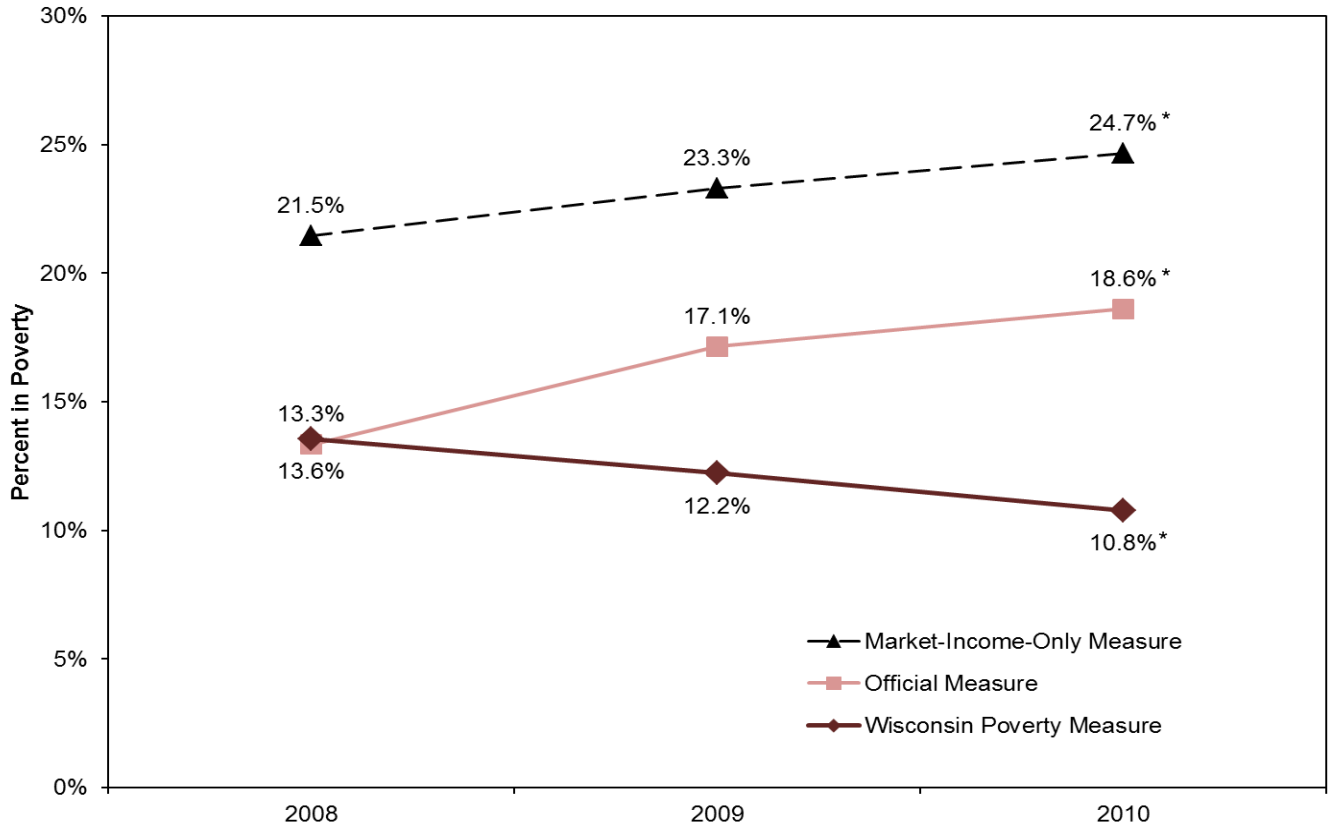
Figure 5. Child Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2010



Source: IRP tabulations using 2008–2010 American Community Survey data.
Notes: * = The difference between 2009 and 2010 was statistically significant.

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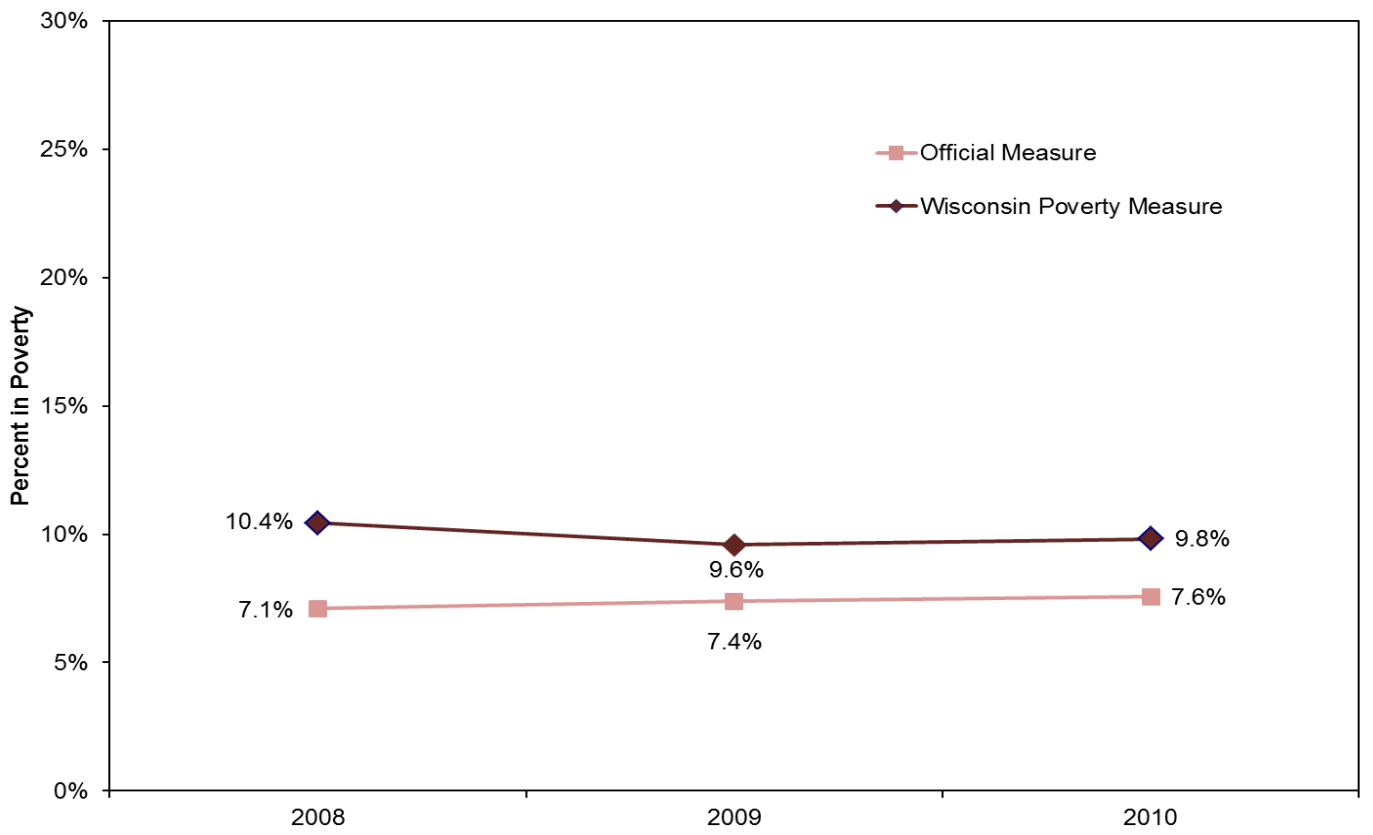
Figure 6. Elderly Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2010



Source: IRP tabulations using 2008–2010 American Community Survey data.
Notes: The change between 2009 and 2010 was not statistically significant under either measure.

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What Drove Overall and Child Poverty Rates Down ?

- **Four policy levers that affected WI poverty**:

1. **Refundable tax credits** like the EITC (federal and state) and child tax credits
2. **Noncash benefits** like SNAP (FoodShare) public housing, LIHEAP
3. **Work related expenses** like child care, affected by CARES, and commuting costs
4. **Out of pocket health care costs** , affected by BadgerCare

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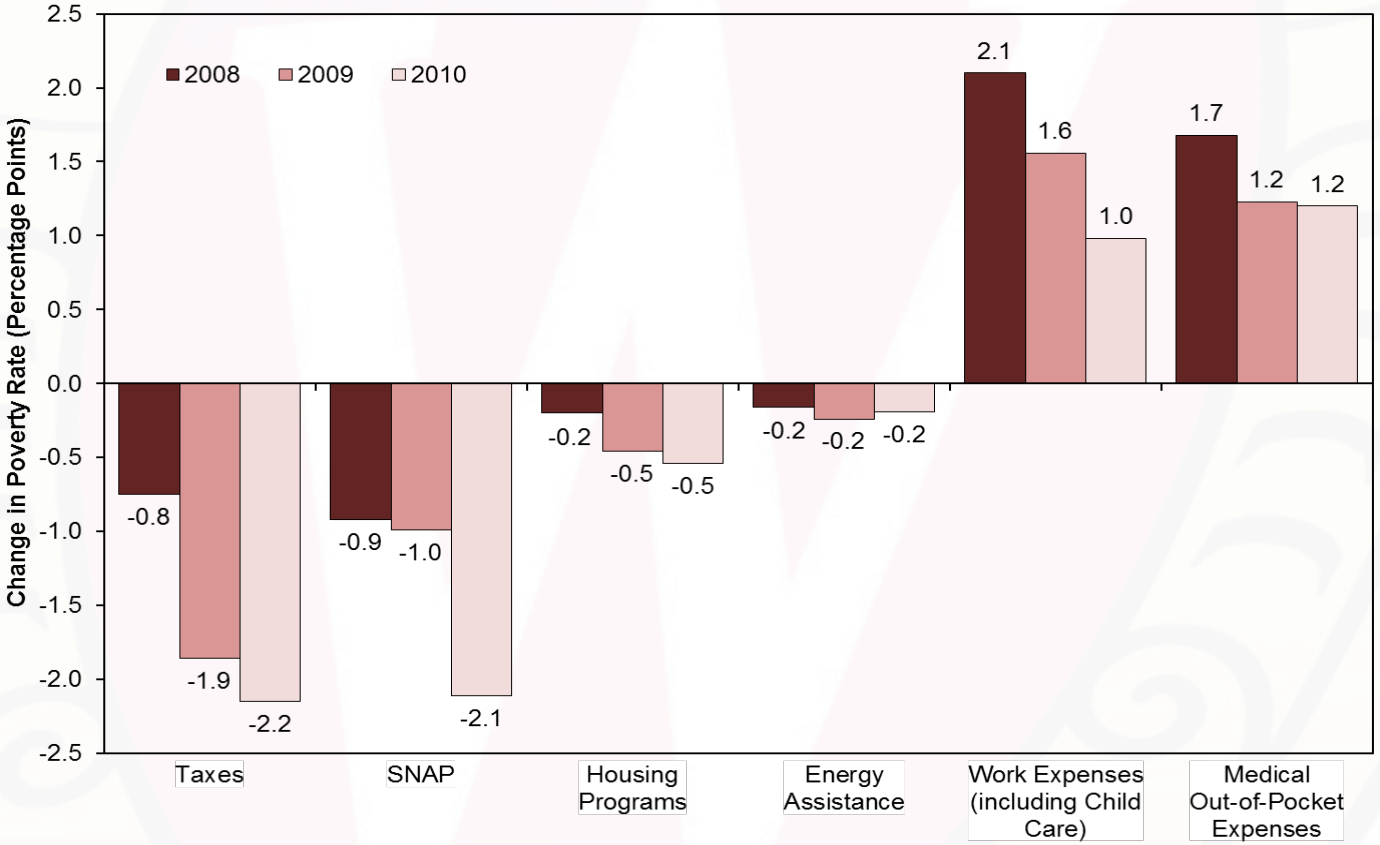
Figure 7. Effects of Taxes, Public Benefits, and Expenses on *Overall* Poverty in Wisconsin, 2008–2010



Source: IRP tabulations using 2008–2010 American Community Survey data.
Note: SNAP = Supplemental Nutrition Assistance Program.

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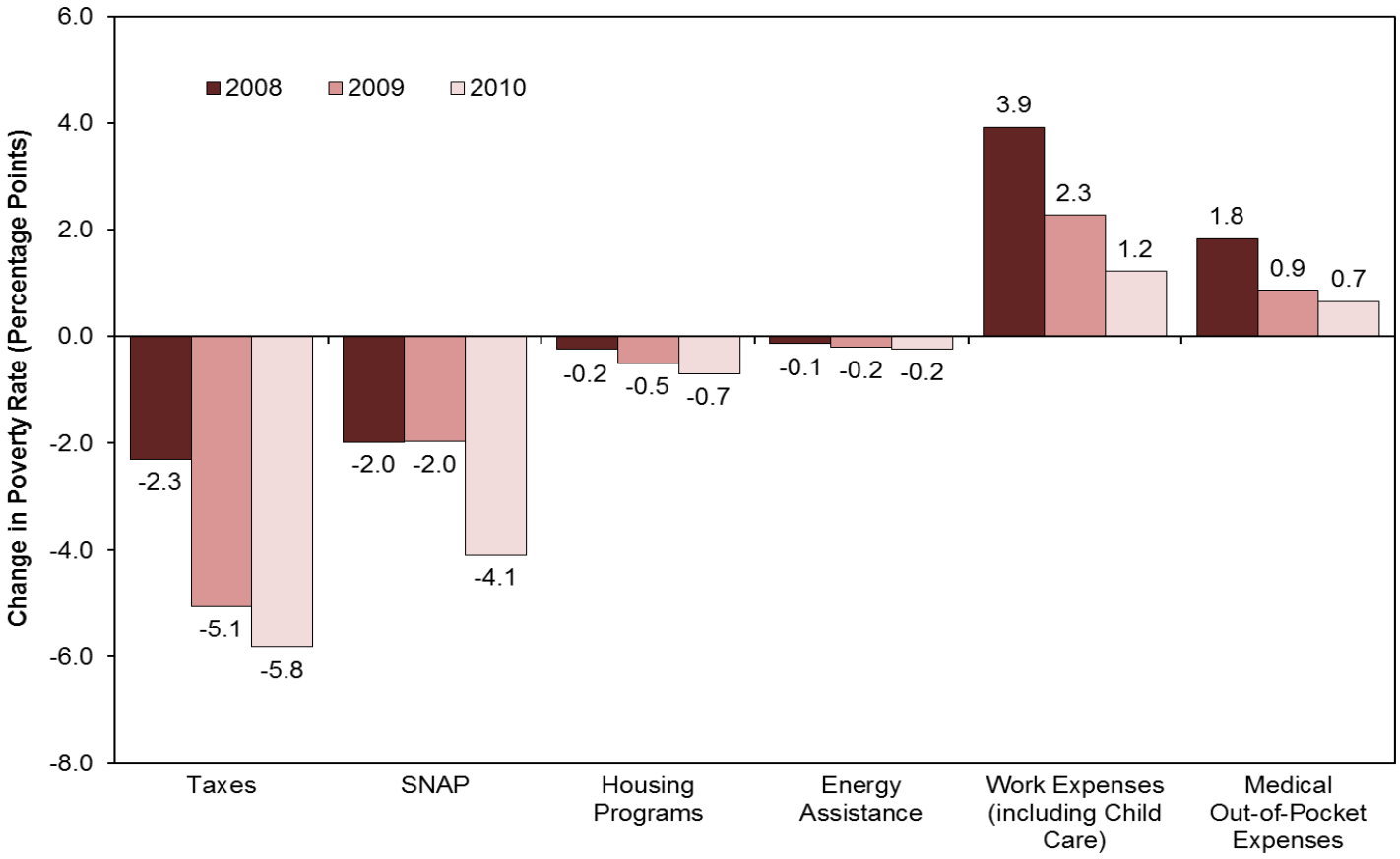
Figure 8. Effects of Taxes, Public Benefits, and Expenses on *Child* Poverty in Wisconsin, 2008–2010



Source: IRP tabulations using 2008–2010 American Community Survey data.
Note: SNAP = Supplemental Nutrition Assistance Program.

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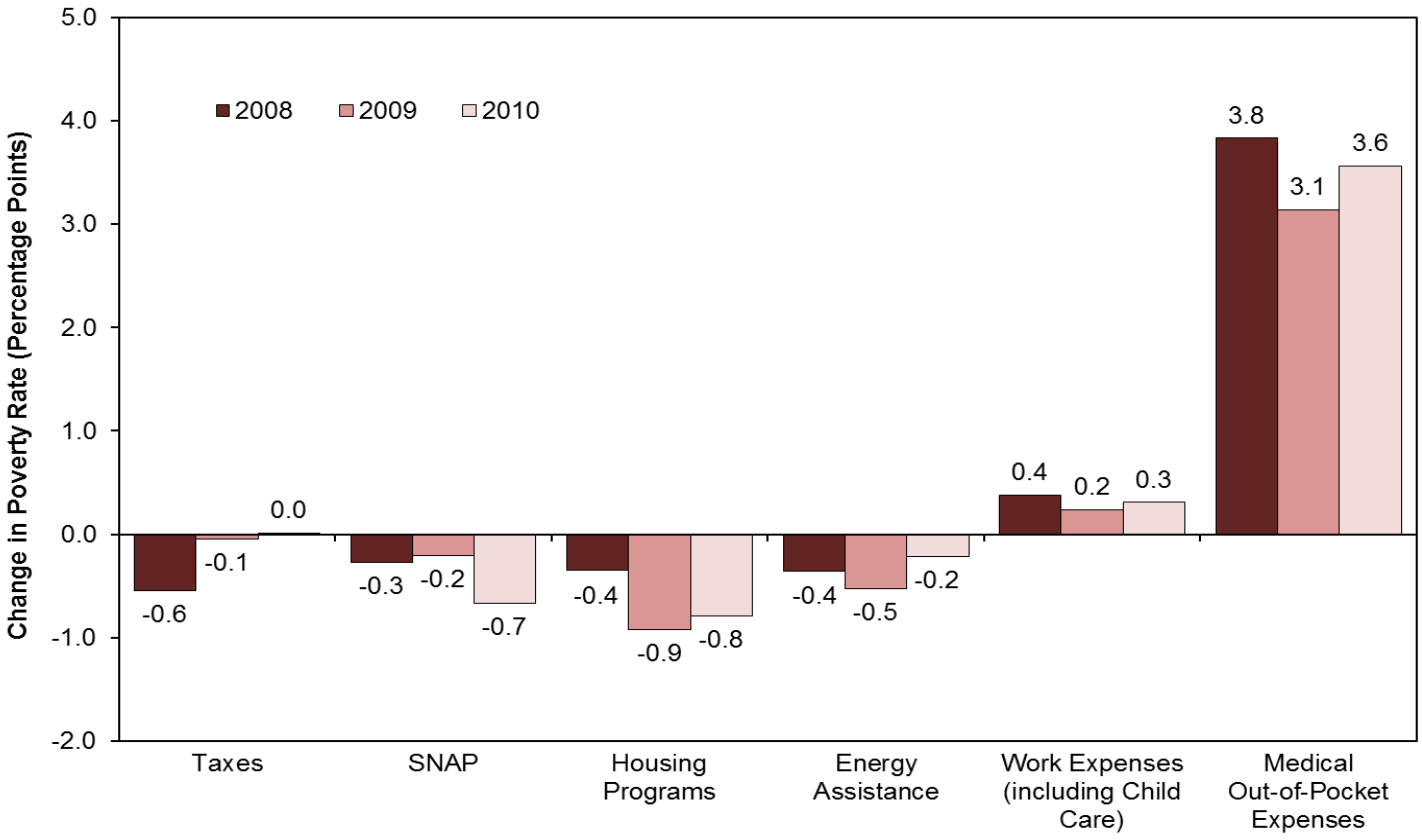
Figure 9. Effects of Taxes, Public Benefits, and Expenses on *Elderly* Poverty in Wisconsin, 2008–2010



Source: IRP tabulations using 2008–2010 American Community Survey data.
Note: SNAP = Supplemental Nutrition Assistance Program.

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Poverty Within Wisconsin's Borders

- **ACS big enough to accurately show poverty in areas of 100,000 persons within the state**
- **Poverty varied across counties within the state with two areas with higher poverty rates (Chippewa/Eau Claire and Milwaukee) and many areas with below state average rates (for instance Waukesha, Ozaukee, Washington, Brown, Dodgeville)**
- **But still within Milwaukee county, poverty rates varied from 5 to 36 percent!**

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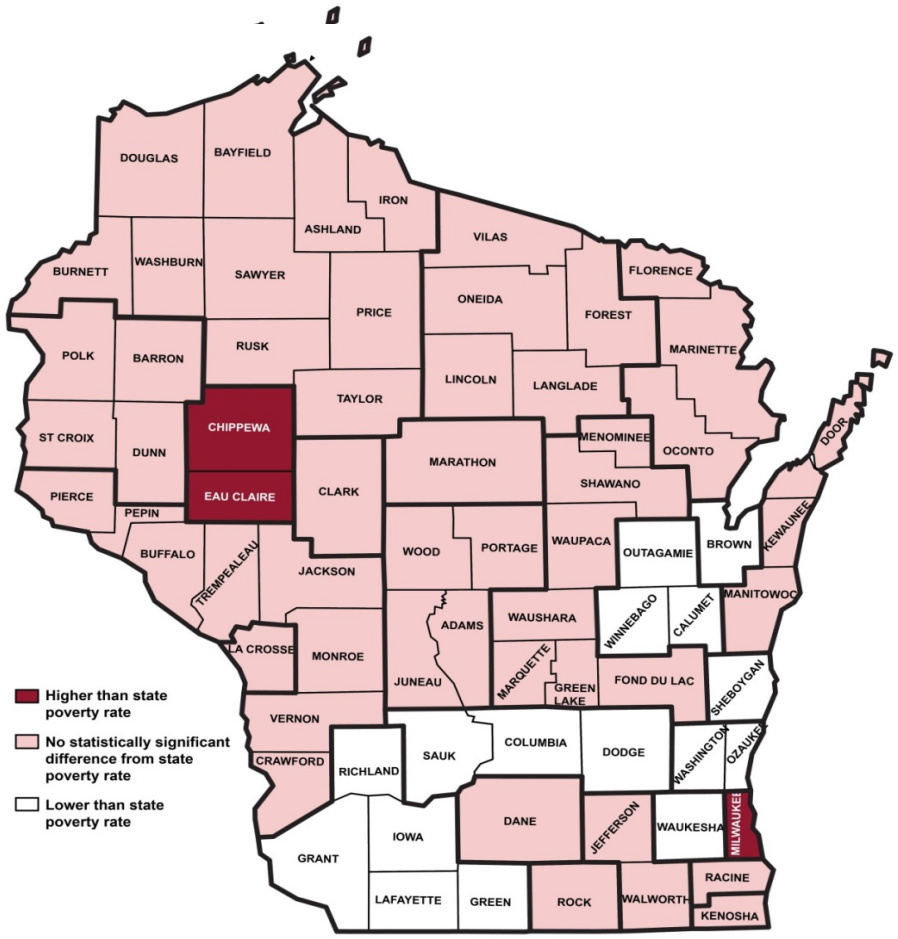
Map 1. Wisconsin Counties and Multicounty Areas with 2010 WPM Poverty Rates Above or Below the State Rate of 10.3 Percent



Source: IRP tabulations us
Notes: WPM = Wisconsin Poverty Measure.

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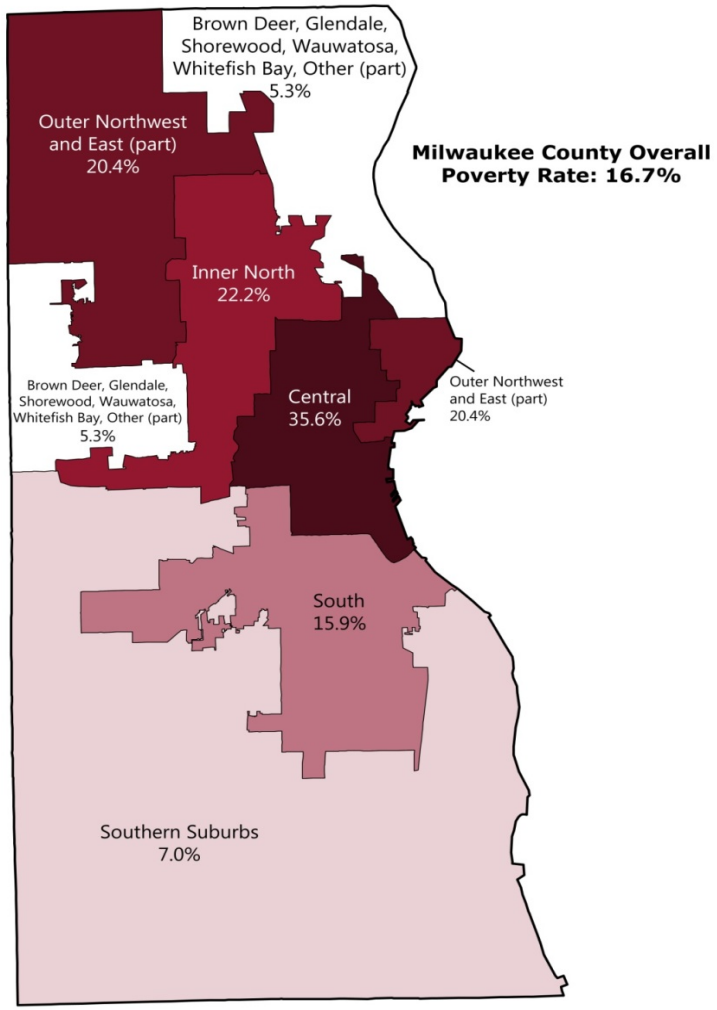
Map 2. 2010 WPM Poverty Rates within Milwaukee County by PUMA*



Source: IRP tabulations using 2010 American Community Survey data.
Note: The state poverty rate calculated with the WPM in 2010 was 10.3%. All differences between the regional estimates and the state average as examined here were statistically significant.
*Public Use Microdata Areas (PUMAs) are predefined areas designated by the U.S. Census Bureau that have 100,000 or more residents.

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Our Conclusion: the Safety Net is Working in Wisconsin

- **In times of need, a safety net that enhances low earnings for families with children, puts food on the table, and encourages self-reliance makes a big difference in combating poverty**
- **All Wisconsinites should be proud of this outcome**
- **The recession surely had substantial negative effects on housing, jobs, debt and the middle class, but the poor were protected**
- **Next year, with some sponsorship, we hope to show that poverty fell because of increased market incomes as good jobs paying decent wages are the real solution to poverty**

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Other Avenues to Explore if Given Additional Support

- Racial and ethnic dimensions of poverty in Wisconsin
- Effects of the recession on the near poor and the lower middle class, those between the 1.0 and 1.5 and 2.0 times the poverty line
- How specific components of the income support system helped lower poverty, e. g. the 2009 EITC and SNAP expansions in the ARRA

Where to find the report?

- **Online at:**

http://www.irp.wisc.edu/research/WisconsinPoverty/pdfs/WIPovSafetyNet_Apr2012.pdf

- **With additional information and longer methodological and technical reports on the WPR at:**

http://www.irp.wisc.edu/research/wipoverty.htm

Acknowledgements

- The Wisconsin Poverty Measure Team: Yiyoon Chung, Julia Isaacs, Timothy Smeeding, and Katherine Thornton
- Funding from U.S. HHS (ASPE) and Census Bureau so far
- Invaluable assistance from others:
  - -Input from stakeholders in Wisconsin
  - -National, state and local experts on poverty
  - -Use of state administrative data housed at IRP

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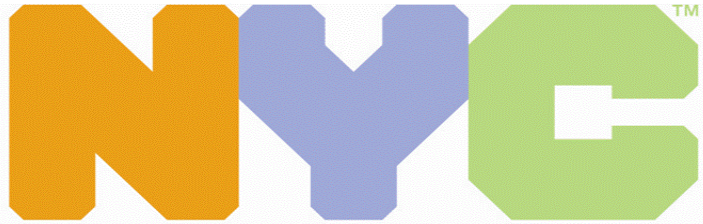
Discussant

Mark Levitan, Ph.D.

Director of Poverty Research

New York City

Center for Economic Opportunity



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Poverty and Policy in the Great Recession: A New York City Perspective

Center for Financial Security
University of Wisconsin - Madison

May 8, 2012

Our Project:
Create a Poverty Measure Useful for Policymaking

- Mandate:
  - Account for more of what public policies do to support low-income families.
  - Compare resources against a poverty threshold that reflects the relatively high cost of living in NYC.
- Implementation:
  - Adopt National Academy of Sciences' recommendations.
  - Employ American Community Survey.
  - Capture unique character of NYC housing market.

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WPM and CEO: Siblings, Not Identical Twins

	CEO
Threshold	Use federal Supplemental Poverty Measure's US-wide threshold.
	US-wide threshold is adjusted upward by ratio of NYC/ US rents.
	No variation by housing status in threshold.
	No adjustment medical expenses in threshold.
Resources	Within-City differences in housing status: tenure, rent regulation, and means-tested assistance accounted for here. Subtract out-of-pocket medical spending from income.

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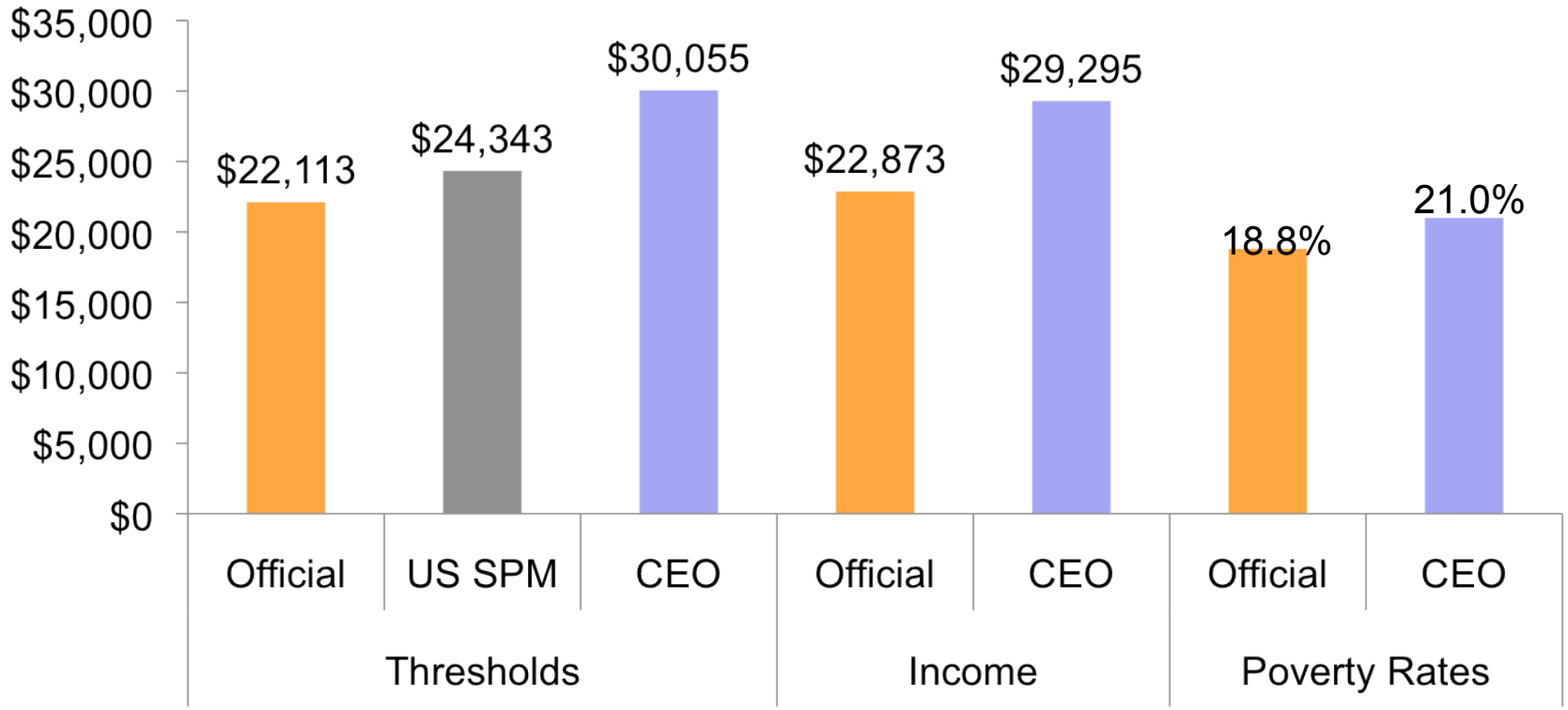
Official and CEO Thresholds, Incomes, and Poverty Rates, 2010



Source: U.S. Bureau of the Census and American Community Survey Public Use Micro Sample as augmented by CEO.

Notes: Thresholds are for two-adult, two-child families. Incomes are measured at the 20th percentile and stated in family size and composition-adjusted dollars. Official poverty rates are based on the CEO poverty universe and unit of analysis.

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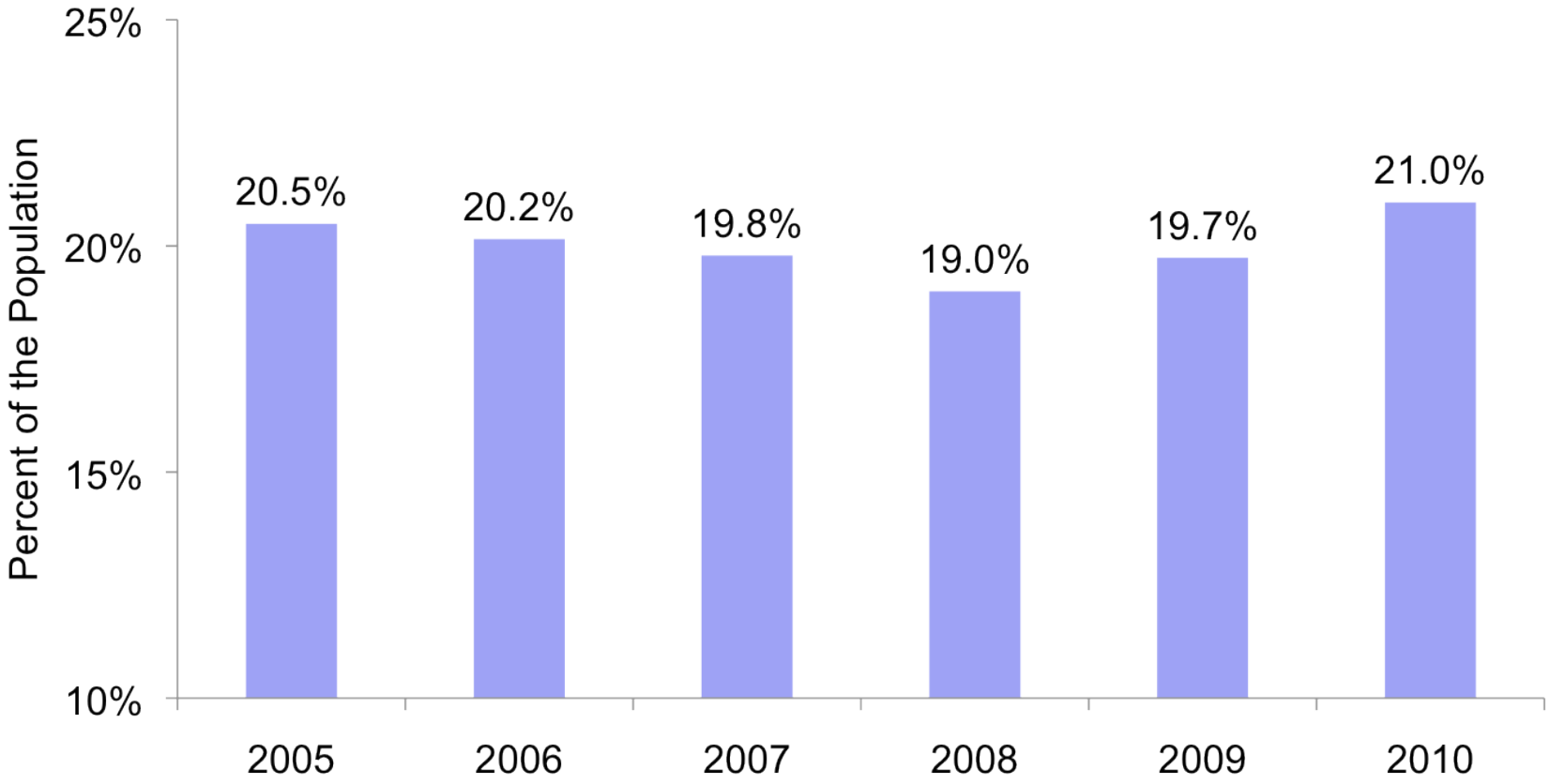
The NYC CEO Poverty Rate, 2005 - 2010



Source: American Community Survey Public Use Micro Sample as augmented by CEO.

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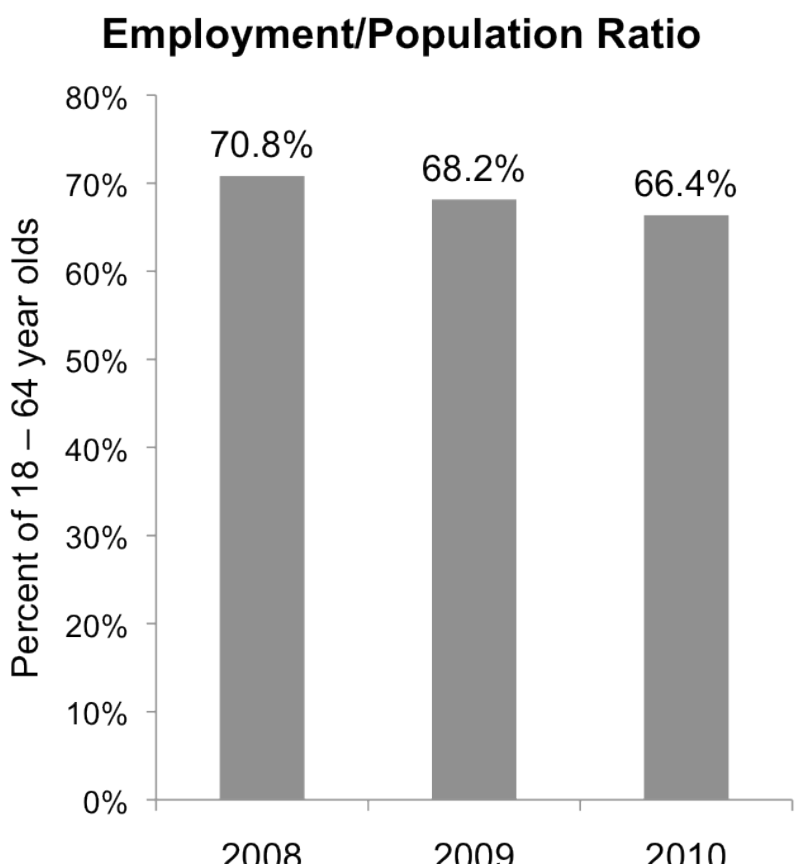
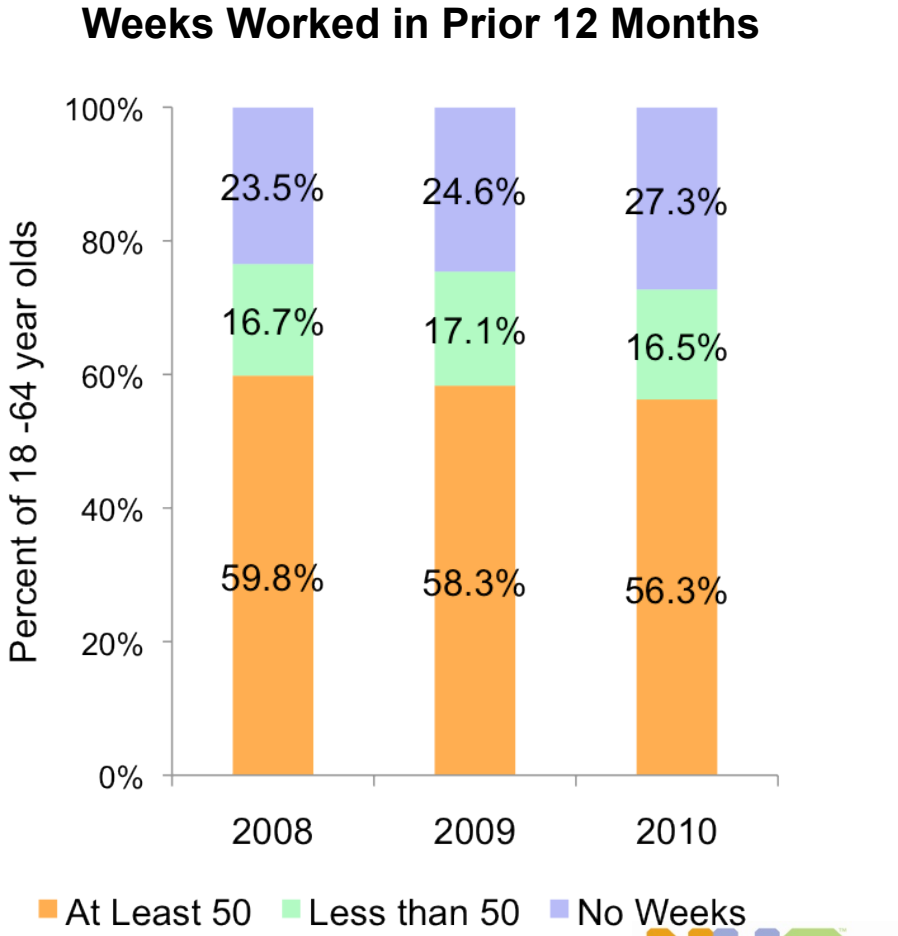
Policy and Poverty in NYC, 2008 - 2010

- Key things we track:
  1. Declines in employment and earnings.
  2. Effect of expanded tax programs and growth in Food Stamp participation.
  3. Change in the poverty threshold.

Labor Market Indicators, 2008 - 2010





Source: American Community Survey Public Use Micro Sample as augmented by CEO.

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Annual Family-Level Earnings, 2008 - 2010

Percentile	2008	2009	2010	2008 - 09 Change	2009 - 10 Change
20	$12,311	$11,116	$9,673	-9.7%	-13.0%
25	$18,701	$17,945	$16,122	-4.0%	-10.2%
30	$25,460	$24,226	$21,741	-4.8%	-10.3%
35	$31,815	$30,506	$27,818	-4.1%	-8.8%
40	$38,218	$36,707	$33,922	-4.0%	-7.6%
45	$44,640	$43,131	$40,305	-3.4%	-6.6%
50	$51,271	$50,019	$46,505	-2.4%	-7.0%

Source: American Community Survey Public Use Micro Sample as augmented by CEO.

Note: Earnings are stated in family size and composition-adjusted dollars. Persons in families with no earnings are included.

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Economic Stimulus Measures that Directly Bolstered Family Incomes, 2008 - 2010

- Extended Unemployment Insurance
- Expanded and new tax programs
  - Economic Recovery Rebate
  - Child Tax Credit
  - Earned Income Tax Credit
  - Making Work Pay Tax Credit
  - Economic Recovery Payment
- Food Stamps
  - Benefit level raised by 13.6%
  - City outreach to increase participation

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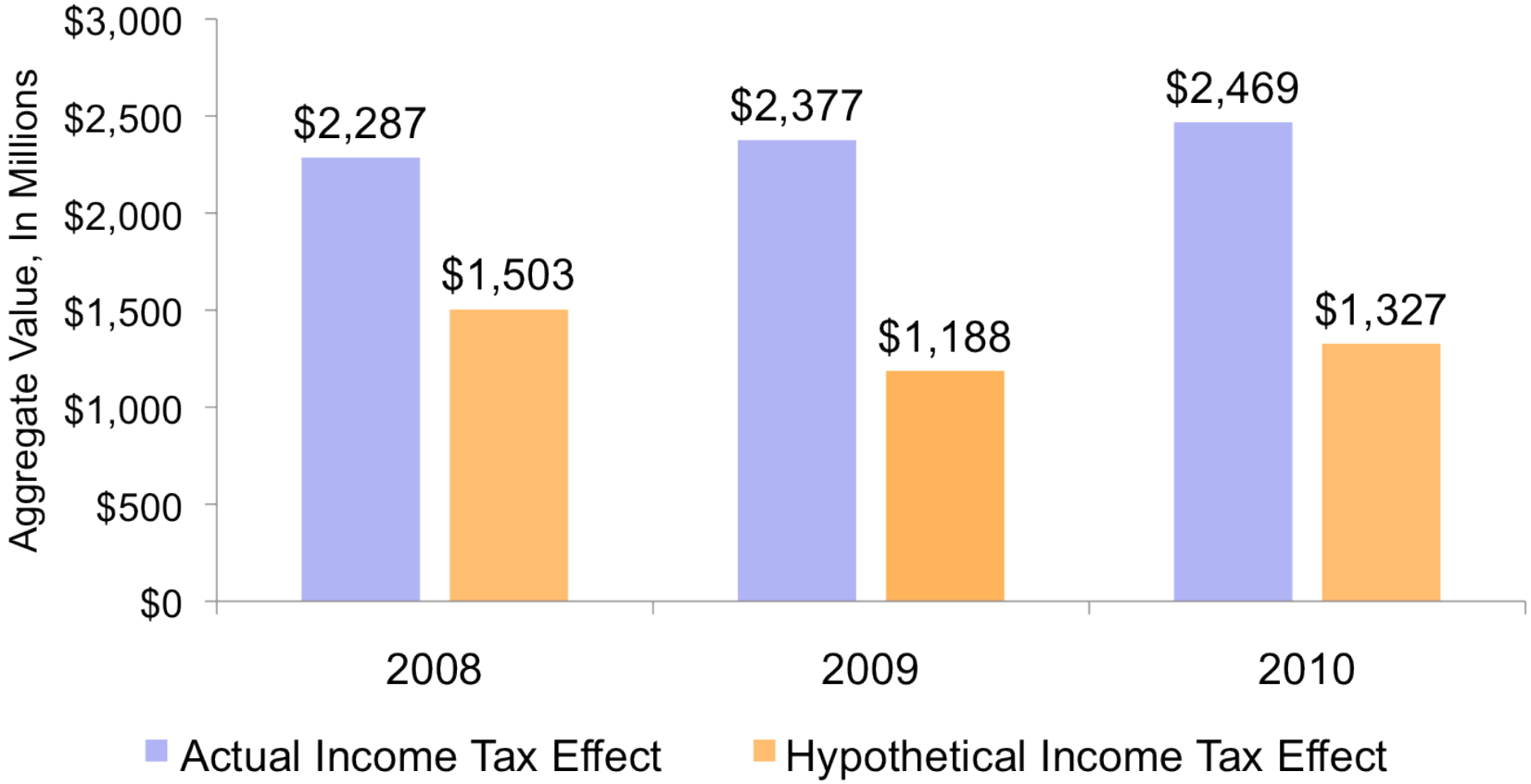
Net Effect of Income Taxes, 2008 - 2010
Filers with Dependents, AGI up to $50,000



Source: American Community Survey Public Use Micro Sample as augmented by CEO.
Notes: Hypothetical assumes no change in policy.

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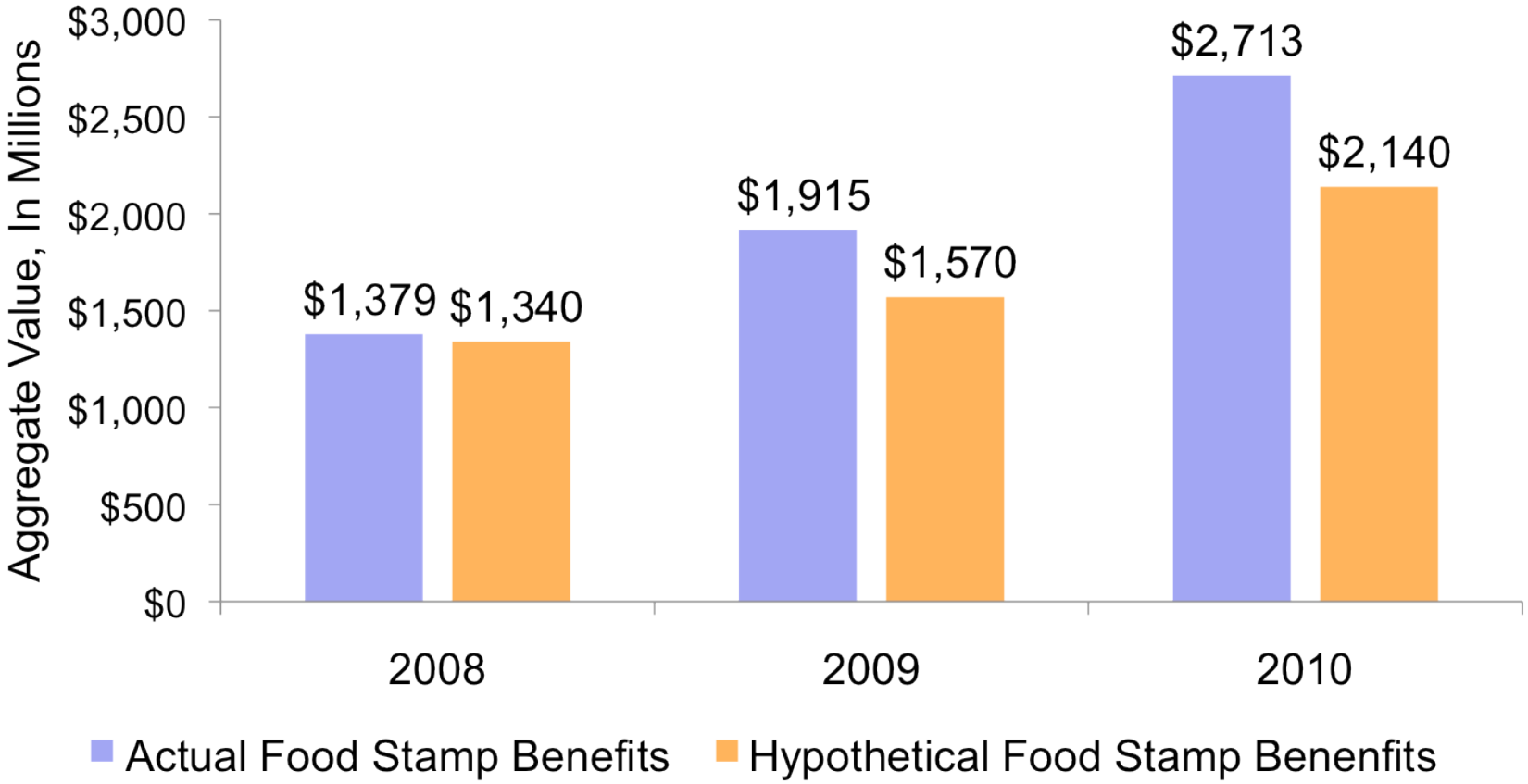
Effect of Food Stamps, 2008 - 2010



Source: American Community Survey Public Use Micro Sample as augmented by CEO.
Notes: Hypothetical assumes no change in policy.

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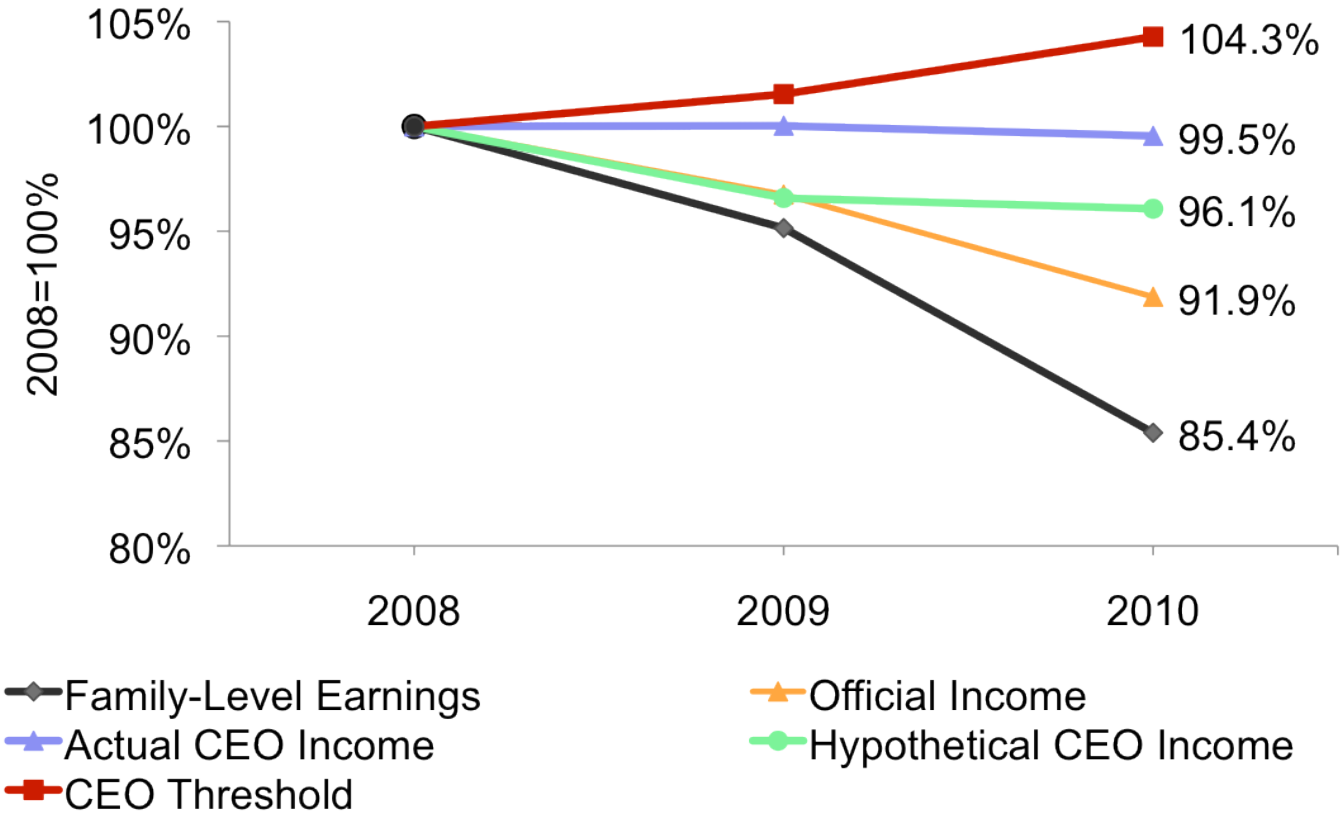
Trends in Earnings, Incomes, and Threshold, 2008 - 2010



Source: American Community Survey Public Use Micro Sample as augmented by CEO.
Note: Earnings and incomes are stated in family size and composition-adjusted dollars. Earnings are measured at the 30th and incomes are measured at 20th percentile of their respective distributions.

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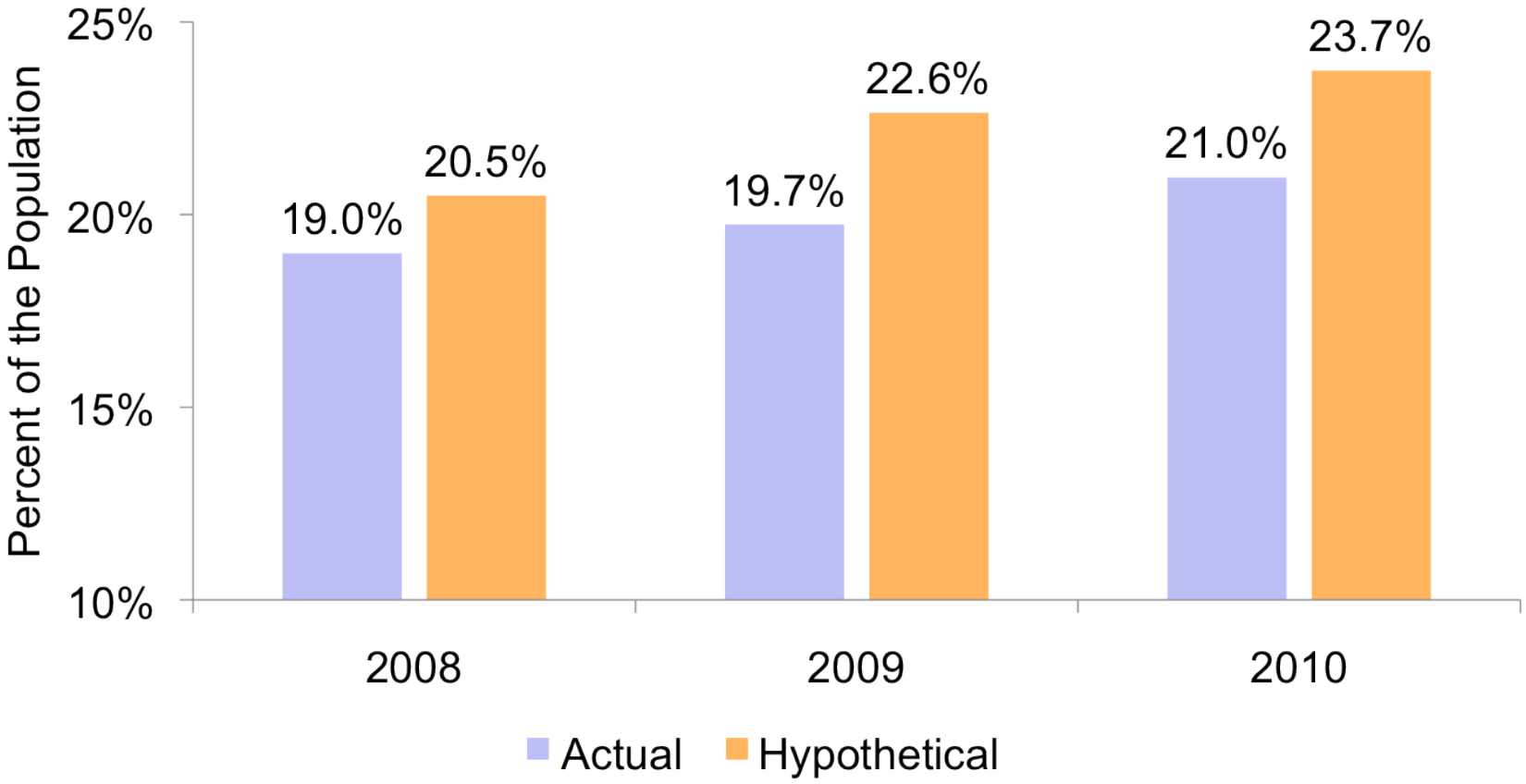
Actual and Hypothetical Poverty Rates, 2008 - 2010



Source: American Community Survey Public Use Micro Sample as augmented by CEO.
Notes: Hypothetical assumes no change in policy.

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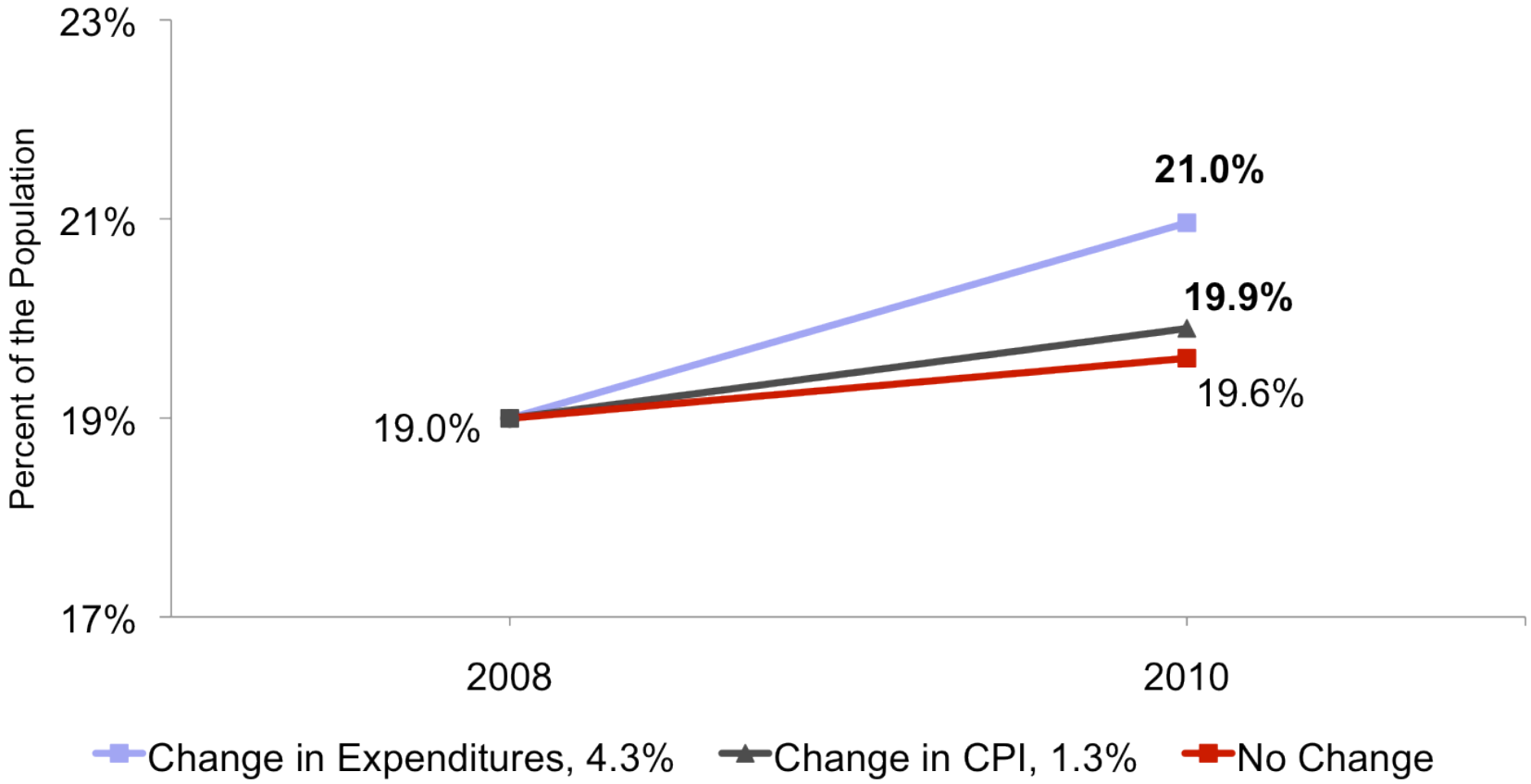
Change in Poverty Rate, 2008 - 2010
With Alternative Changes in Threshold



Source: American Community Survey Public Use Micro Sample as augmented by CEO.
Note: 2010 poverty rates in bold are statistically higher than 2008 rate.

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Summary: Policy Affects Poverty

- Expansion of tax programs and Food Stamps bolstered incomes and blunted a very sharp rise in the NYC poverty rate from 2008 to 2010.
- The increase that did occur was generated by:
  - A modest fall in CEO income.
  - And a rising CEO threshold.

Policy Questions

- Path out of poverty = work + benefits.
  - What happens when jobs are scarce?
- Low-income families with children blend earnings and public benefits.
  - Do we have the right balance?

But in Washington

- Programs that work are in peril.
  - Tax credit programs are set to expire at the end of this year.
  - Food Stamp benefits will be cut in 2013.
  - Proposals to block-grant the Food Stamp program threaten to undermine its role as an anti-cyclical stabilizer of family incomes.

For Further Information

- CEO Reports: www.nyc.gov/ceo
- Mark Levitan: levitanm@hra.nyc.gov

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Q&A

The Family Financial Security Webinar series was award the ***Sonic Foundry Rich Media Impact Award in the Excellence in Education*** category at the eighth annual Rich Media Impact Awards presented by Sonic Foundry, Inc.

The Family Financial Security Webinar Series returns in Fall 2012— stay tuned for details.

To provide feedback on the 2011-2012 series, email Nicole Truog at ntruog@wisc.edu

For more information on the 2011-2012 CFS Webinar Series:
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